

COSMIC FOG
PREMIUM VAPORS

November 24th, 2015

Cosmic Fog Company Background

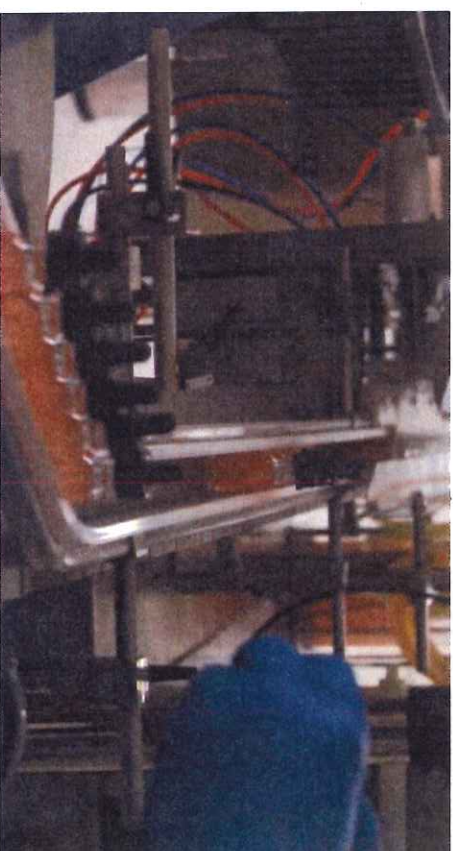
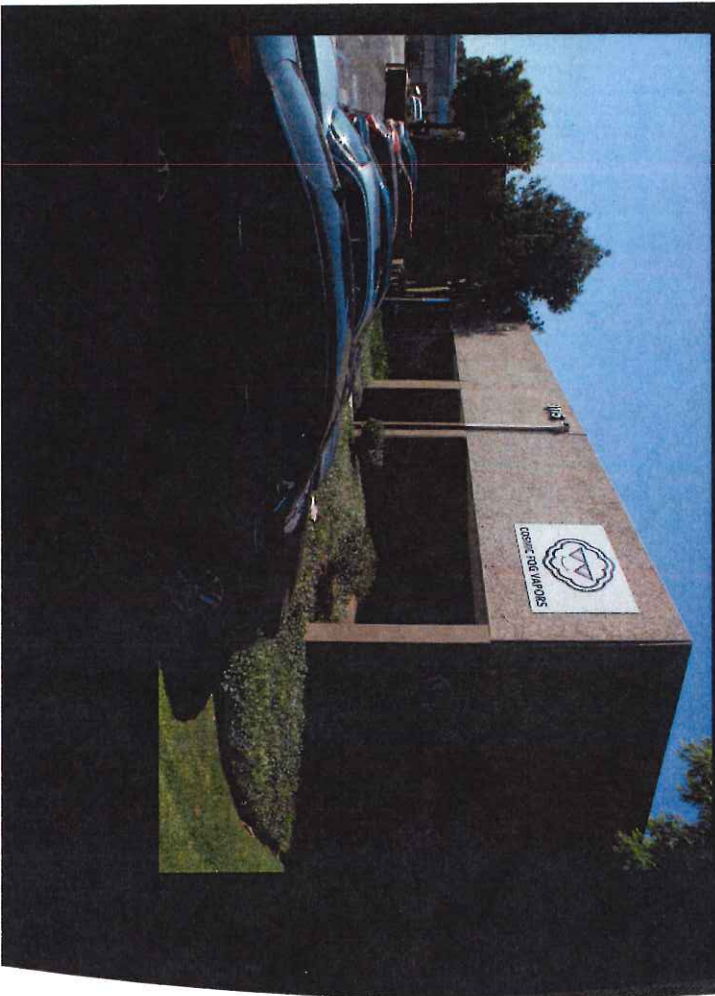
- ▶ Established in October 2013 by Brant Peto and Robert Crossley
- ▶ Initially launched with 4 flavors, currently at 7
- ▶ Began construction of state-of-the-art manufacturing facility February 2015
- ▶ Launched new line "The Lost Fog" in June 2015
- ▶ Currently 10 flavors in Cosmic Fog Vapors line in all 50 states and 46 countries

*7
Lost Flavors*

Cosmic Fog Facility

3115 AIRWAY AVENUE

COSTA MESA, CA 92626



Economic Impact

Employed 3 full-time as of December 2013, 15 full-time employees as of December 2014, and currently at 45 full-time employees as of November 2015 and anticipate doubling in size by next year.

Avg. hourly wage per employee: \$20.90/hr (nearly 50% above livable wage in Costa Mesa, CA)

After 60 days all employees are eligible for 100% paid health insurance through HealthNet

401k with generous matching program in place to roll out January 1st, 2016

"Second Chance" employer for those in recovery as well as veterans.

Economic Impact- Taxes

Taxes contributed in 2014 and est. 2015 for local/state/federal:

Government Agency:	FY 2014	FY 2015 est.
Local		
State		
Federal		

Manufacturing Practices- Cleanroom design

- ▶ Approximately 2500 sq. ft ISO8 modular cleanroom with 2 rooms (mixing/bottling)
- ▶ Temperature controlled environment with HEPA filters for particulate reduction
- ▶ Optional upgradable to ISO6 if required by regulation
- ▶ Filtered VG/PG through wall outlets to feed custom dispensing system
- ▶ Mettler-Toledo balances for accurate weighing
- ▶ 36- custom 20 gallon 304 SS hoppers for mixing
- ▶ Two remotely viewable cameras for management
- ▶ ISO8 Certified and exceeded ISO7 particulate levels on last test (October 2015)
- ▶ cGMP certification expected by end of Q4 2015



Manufacturing Steps

All raw ingredients are filtered before entering the cleanroom

Automated equipment dispenses VG/PG/Nicotine to 0.5% accuracy and records dispensed history

Mixing and Bottling all occur in the same cleanroom

Nothing leaves the cleanroom before product is sealed, coded, and shrink wrapped

CRC compliant caps used for all products



Manufacturing Procedures- cGMP compliance

Master Batch Production Records (MBPR) design underway with Batch Production Records (BPRs) for every SKU.

Every batch dispensed is tracked from start to finish using a batch code printed at the bottom of every bottle

Batch code details include: Amount of VG/PG/Nicotine dispensed, data/time of dispensing, date/time of bottling, and samples of all raw materials held for testing by outside CRO in event of consumer inquiry

Traceability for every batch/bottle/raw material being documented and stored for 3 years.

Database for recall purposes will be complete Q4 2015

Hired full-time analytical chemist for in-house testing and validation of testing methods Q3 2015

Analytical Testing

Liquid/aerosol testing performed on all flavors of e-liquids by CRO with validated methods
(Cost: >\$100,000)

Testing performed on cleaning process to ensure CLP methods used ensure no carryover of nicotine to 0 mg containing batches

Testing performed to ensure homogeneity of batches using current mixing process

All aerosol testing performed using equipment most likely to be used by consumers in the marketplace →

Tested all liquids for Diacetyl, Acetyl Propynol, Heavy Metals, Formaldehyde, other known carcinogens

Plans to purchase Agilent HPLC system to perform in-house testing on each batch of liquid produced

7-10 devices
(70-90% vapor market)

Traceability

Dispensed Volume Recording

Production Menu - Dispensed History					
MILK & HONEY 0 mg 30 Liters					
Batch Number:	Date:	Time:	PG (mL):	VG (mL):	Nic (mL):
L1118152 <i>body Org</i>	2015/11/17	20:106	0.000	23370.960	0.000
L1118153 <i>[60]</i>	2015/11/17	20:225	9975.910	14999.200	900.012
L1118153 <i>MH 3 mg</i>	2015/11/17	20:30	9975.910	14999.600	900.012
L1118154 <i>MH 6 mg</i>	2015/11/17	20:36	9375.950	14999.200	1500.000
L1118154 <i>[60]</i>	2015/11/17	20:40	9375.370	14999.200	1500.000

Batch Production Record (BPR)

Client Product Code		Product Name		Strength	Batch Number
Milk & Honey 0 mg 60 L Batch					0150-21-001
Batch Production Record					
Cover Page			Formulation		
Manufacturing Date	Unit	Batch Size	Batch Size	Batch Size	Batch Size
2015/11/17	60 L	60,000	60,000	60,000	60,000
Theoretical Yield			Theoretical Yield		
60 L			60 L		
Purpose			Purpose		
Milk & Honey Concentrate (9)			Milk & Honey Concentrate (9)		
Bill of Materials					
Part	Ver	Material	Qty/Batch	Unit	Composition
146	1	USP Organic Vegetable Glycerine		mL	
147	1	USP Propylene Glycol		mL	
151	1	Reactive Formulation (100 mg/mL 26 based)		mL	
159	1	Milk & Honey Concentrate (9)	9		
Equipment					
Equipment Name					
In Process Tests					
Step	Test	Method	Purpose	Specifications	Batch No
Executed BPR Approvals					
Approver	Job Function	Signature	Date		
Manager	Product Manager				
Release	Quality Manager				

Bottle Tracking



Limiting liability through traceability and protecting the consumer

Flavor Choice

According to a survey of over 8,500 consumers (AVAL VAPOR 2015 Question 30) 70% said having a variety of flavors makes vaping more attractive than smoking.

100% was = tobacco flavor

Over 90% answered they consider flavor variety as important (Question 28)

87% switch flavors more than once every few weeks (Question 27)

85% say safe manufacturing practices are very important to them (Question 23)

Removing flavor choices would threaten the entire industry. Many vapers have said that once transitioning from cigarettes and traditional tobacco to vaping, the flavors they now use replace a Pavlovian response which tobacco smoke once had for them.

Threat of PMTA

Cosmic Fog Vapors and virtually every all manufacturers will be put out of business

Estimated loss of over 100,000 jobs in the US and over \$2.2b annual sales (Bloomberg estimate for 2015 and growing exponentially)

Cost of application process to exceed \$1 million per flavor/nicotine strength bringing total cost of staying in business to over \$50 million. We would be forced to move to another country to stay in business.

Ex-smokers in the US would either turn to unregulated black market e-liquids and products or return to smoking which would lead to higher healthcare costs and more missed work/shorter lifespans/less taxes paid over their work lifespan

14 Flavors
5 diff
Nicotine
Strengths

2/3 = open system
1/3 = cigarette
as ket

Sensible Regulations for Manufacturers

Instead of requiring all e-liquid manufacturers to submit costly and time consuming PMTA applications, setting in place strict manufacturing standards would save this industry and the over 100,000 jobs in the US tied to it.

Many companies that do not currently follow these standards would exit the market, and those willing to invest the required capital into labs, analytical testing, and equipment to safely manufacture would protect the consumer as well as the industry.

Cosmic Fog Vapors has invested well over \$2 million this year in our manufacturing practices and will continue to do so to protect our consumers and this industry.